



# **BUDGET BRIEF 2018 / 2019**

## **'PURSUING OUR TRANSFORMATIVE JOURNEY'**



We have set out in this document the main measures announced by the Prime Minister and Minister of Finance and Economic Development which are likely to impact on our clients' business and personal affairs.

These measures are subject to amendment during the passing of the Finance Bill.

Although this brief will assist you in understanding the likely effects of this year's budget, you are advised to contact us before taking any action.

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# OBJECTIVES OF THE BUDGET

The main objective of the budget is about "PURSUING OUR TRANSFORMATIVE JOURNEY". This Budget focuses on seven pathways in the transformative journey to a high income country, namely:

1. On our youth and their future
2. Accelerate the country's move to an age of digitisation
3. Foster a new wave of import substitution industry and revive export-led production
4. Build a strategic and modern infrastructure
5. Secure sustainable development
6. Lift the standard and quality of life of the population
7. Create an inclusive and caring society

# ECONOMIC REVIEW

<b>Details</b>	<b>2018/19</b> <b>%</b> <b>(Estimates)</b>	<b>2017/18</b> <b>%</b>
<b>GDP growth rate</b>	4.1	3.9
<b>Public sector debt/GDP ratio</b>	63.1	63.4
<b>Budget deficit</b>	3.2	3.2
<b>Unemployment rate</b>	6.9	7.1
<b>Inflation rate</b>	3.5	4.3

# SECTORAL MEASURES

## MSMEs

- New support scheme by DBM:
  - Loan facilities for start-ups, young entrepreneurs and women entrepreneurs at an interest rate of 3 percent.
  - Loans of up to Rs 3 million to planters engaging in sheltered farming at an interest rate of 3 percent, with a moratorium on capital repayment in the first year.
  - Loan up to a maximum of Rs 1 million to operators of organic farms with a moratorium of 2 years, on capital repayment, depending on the project.
  - Enterprise Modernisation Scheme by providing finance lease facilities to MSMEs with turnover up to Rs 10 million to modernize their plant and equipment.
  - A factoring window to MSMEs by discounting their invoices.
- DBM will provide Non-financial support to the MSMEs through a new Hand-holding and Mentoring cell.
- Introduction of SME Employment Scheme under which HRDC will pay each graduate a monthly stipend of RS14,000 over a period on 2 years. Monthly travelling cost will have to be borne by the employer.
- The Youth Employment Program will cater now for post HSC unemployed.

# SECTORAL MEASURES

## AGRI BUSINESS

### Tea

- A monthly income support of 50 cents per kilo of tea leaves harvested by small planters during the 3 months winter period.

### Cane

- Mauritius Cane Industry Authority to provide for shortfall arising from the suspension of CESS payment for crop 2018.

### Farming

- Setting up of 100 farms over the next two years under a Sheltered Farming scheme.
- Farms will be made available on a Ready-To-Operate basis.
- EDB will assist new agripreneurs to market their products both domestically and abroad.
- Food and Agricultural Research and Extension Institute will give the necessary technical assistance and mentoring to young graduates and SMEs as they develop their agri projects.
- Access to finance at the Development Bank of Mauritius (DBM) and Maubank will be at the concessional rate of 3 percent.
- Setting up of a Mini Sheltered Farming Scheme to promote micro gardens, vertical agriculture and roof top gardening. A grant of up to Rs 10,000 will be given under that scheme to eligible families.
- Albion Fisheries Research Centre will provide fish fingerlings freely for the aquaponics projects.
- Contribution of Rs 30 million towards a new Crop Insurance Scheme for planters to be operated by the Small Farmers Welfare Fund.
- DBM to write off all outstanding loans contracted under the Pig Breeders Relaunching Scheme.

# SECTORAL MEASURES

## MANUFACTURING

- New business parts will be set up as follows:
  - A High-Tech Park at Côte D'Or extending over 150 acres of land.
  - A logistic Park at Riche Terre.
  - A Pharmaceutical and Life Sciences Park at Rose Belle.
- Setting up of a loan guarantee facility to support cross border investment with the Africa Strategy.
- Preferential access of our products on the market will be manufactured until end of 2020.

## FINANCIAL SERVICES

- Category 2 Global Business Companies Licence will not be issued as from January 2019, with a grandfathering provision for existing company.
- Global Business Companies will be required to comply with enhance substance condition.
- New framework to be established to govern and improve the oversight of Management companies.
- All resident companies and partnerships whose majority shareholdings/parts are held by non-resident and which conduct business most outside Mauritius will be required to seek a Global Business licence or and authorisation from the FSC, through a duly appointed management company.
- The creation of new licensable activities by the FSC, namely custodian of digital assets and digital asset marketing.



# SECTORAL MEASURES

## TOURISM & LEISURE

- Construction of a new runway at Plaine Corail to improve air connectivity, tourism development and socio economic conditions.
- Air Mauritius is receiving two new aircrafts this year.
- Construction of a dedicated cruise terminal building with cutting edge technologies and modern facilities capable of handling up to 4,000 passengers.
- Making Mahebourg as a “Village Touristique” and a major cultural and eco-tourism attraction.
- Implementation of a regeneration project through a public private partnership in Mahebourg.
- New digital platforms will be created to provide information on safety, costs of inland travel, road maps, dinning shopping and exchange rates of currencies.
- All pleasure crafts will mandatorily be equipped with an Automatic Identification System to monitor their activities.
- The Airport of Mauritius Limited (AML) will initiate procedures for the extension of the new passenger terminal.

## OCEAN ECONOMY

- Development of fishing and seafood hubs in Agaléga.
- Setting up an Ocean Economy Unit with the responsibility of preparing a National Ocean Policy Paper.
- An Ocean Observatory e-platform will be developed to support the Marine Spatial Planning Initiative of Mauritius.
- Conduct of a geotechnical study in the extended continental shelf management area of the Mascarene region to explore its potential.
- Introduction of a Group Life Insurance Scheme for registered fishermen to cover any accidents and losses at sea.
- Introduction of a grant of 60 percent of the cost of acquisition of outboard engines and fishing nets, by fishermen cooperatives, up to a maximum of Rs 60,000.

# SECTORAL MEASURES

## ICT/BPO

- Creation of new opportunities for private investment and job creation artificial intelligence, blockchain technologies and Fintech.
- Setting up of a Mauritius Artificial Intelligence Council (MAIC).
- Setting up of a steering committee under the Prime Ministers office to ensure coherence in digitisation of public sector services.
- The CEB will offer a special rate of electricity to accredited data centre operators having at least a tier 3 infrastructure.
- Setting up of a National Regulatory Sandbox Licence Committee to consider all issues relating to Sandbox Licencing for Fintech activities.
- Construction of a technology park in Rodrigues to promote entrepreneurship and employment.
- Internet connectivity through satellite bandwidth for inhabitants of Agaléga.

# BUSINESS FACILITATION

- Film Promotion Fund will be created under the EDB, with a seed capital of Rs 500 million.
- Occupation permit will be processed within 5 days by the EDB and the employer will have to contribute the equivalent of one-month salary per foreign worker recruited.
- Rs 3 billion will be invested to expand our port facilities and improve its productivity, namely through the construction of breakwaters, a fishing port at Fort William and the Cruise Terminal Building.
- To enhance productivity Cargo Handling Corporation Ltd will operate on a 24/7 basis.
- Streamlining the procedures for recruitment of foreign workers.
- To boost up demand for Mauritian products, government is finalising negotiation with:
  - the Comprehensive Economic Cooperation Partnership Agreement (CECPA) with India.
  - The Free Trade Agreement with China.
  - The enhanced bilateral cooperation with Saudi Arabia and Middle East countries.
  - Renewed partnership with the member states of the Commonwealth Group.
  - A framework agreement for the continental FTA in Africa.

# IMMIGRATION

- To attract High Net Worth individuals EDP will manage two schemes as follows:
  - Opportunity for foreigners to obtain Mauritian citizenship provided they make a non-refundable contribution of USD 1 million to a Mauritius Sovereign Fund. An additional contribution of USD 100,000 per member of family for their spouse and dependents.
  - The opportunity to obtain a Mauritian Passport provided they a contribution of USD500,000 to the Mauritius Sovereign Fund.
  - An Additional contribution of USD50,000 per member of family for their spouse and dependents.

# FISCAL MEASURES

## INDIVIDUALS

### Income tax rate

- Individual with an annual net income:
  - Not exceeding Rs 650,000 - 10%.
  - Exceeding Rs 650,000 - 15%.

### Income Exemption Threshold

Category of income tax payer	2018/19 Rs	2017/18 Rs
Individual with no dependent	305,000	300,000
Individual with one dependent	415,000	410,000
Individual with two dependents	480,000	475,000
Individual with three dependents	525,000	520,000
Individual with four or more dependents	555,000	550,000
Retired/disabled person with no dependent	355,000	350,000
Retired/disabled person with dependents	465,000	460,000

# FISCAL MEASURES

## INDIVIDUALS

### Deduction for Tertiary Education

- The deduction for a dependent child pursuing tertiary education has been increased as follows:
  - Abroad - from Rs 135,000 to Rs 200,000; and
  - In Mauritius - from Rs 135,000 to Rs 175,000.

### Retired Person

- Eligibility for the enhanced income exemption thresholds has been extended to retired person with annual emoluments not exceeding Rs 50,000.

### Rain Harvesting Investment Allowance

- Investment made by an individual in a rainwater harvesting system for his house will be allowed as a deduction from his taxable income.

### Interest Relief

- The profit charge payable under an Islamic Financing Arrangement for the construction of a house will qualify for interest relief if the arrangement is secured on immovable property.

### Exempt income

- Increase in exemption threshold on lump sum received as severance allowance, pension or retiring allowance from Rs 2 million to Rs 2.5 million.
- Income received from Insurance Industry Compensation Fund exempted from income tax.

# FISCAL MEASURES

## INDIVIDUALS

### Withholding Tax on Winnings

- Introduction of a final withholding tax of 10% on winning amount exceeding Rs 100,000 obtained from:
  - Mauritius National Lottery – ‘Lotto’;
  - Government Lotteries – ‘Lotterie Verte’; and
  - casinos and gaming houses.

### Negative Income Tax

- Eligibility criteria and conditions for payments of Negative Income Tax amended as follows:
  - Computed on monthly basic salary instead of total earnings.
  - Part time employees are also eligible provided that they work for a minimum period of 24 hours over at least 3 days in a week.
  - The condition for the employee to be in continuous employment for the preceding 6 months has been removed.
  - The monthly income of the employee should not exceed Rs 9,900 and that of his or her spouse should not exceed Rs 30,000.
  - Negative Income Tax will be available once NPS and the NSF contribution is paid for the month in which a claim is being made instead of the employee and employer being up to date with their contribution payments.

### Taxation of Artists

- A Mauritian artist can choose to claim an expenditure of up to 50% of his earnings arising from his artistic work (other than a literary work) without any supporting documentation. The artist should be a registered unsalaried Mauritian earning less than Rs 300,000 annually.

# FISCAL MEASURES

## CORPORATE

### Global Business Companies

- Deemed foreign tax credit regime will be abolished as from 31st December 2018.
- A partial exemption regime of 80% on the following income, subject to satisfying pre-defined substantial activities requirement of the FSC,:
  - (i) foreign source dividends and profits attributable to a foreign permanent establishment;
  - (ii) interest and royalties; and
  - (iii) income from provision of specified financial services.
- The existing credit system for relief of double taxation will continue to apply where partial exemption is not available.
- The Category 2 Global Business regime will be abolished as from 1 January 2019 and income tax provisions in this respect will be amended accordingly.
- The current regime will continue to apply until 30 June 2021 for companies which have been issued a licence prior to 16 October 2017.

# FISCAL MEASURES

## CORPORATE

### Banks

- The Deemed Foreign Tax Credit regime for banks will not be applicable as from 1st July 2019 and will be replaced by a new regime.
- No distinction will be made between Segment A and Segment B income instead the chargeable income will be taxed at the following rates:

Corporate tax rate 2018/19	
Chargeable income up to Rs 1.5 billion	5%
Chargeable income above Rs 1.5 billion	15%

- An incentive system will be introduced for banks having chargeable income exceeding Rs 1.5 billion where chargeable income in excess of the chargeable income for a set base year will be taxed at a reduced tax rate of 5% if pre-defined conditions are satisfied.
- The current Special Levy rate on Banks scheduled to end by June 2018 will be extended up to June 2019 and replaced by a Special levy introduced under the Value Added Tax Act which will be charged on the net operating income derived by banks from its domestic operations.



# FISCAL MEASURES

## CORPORATE

### Freeport Sector

- The corporate tax exemption granted to freeport operators and private freeport developers on export of goods will be removed after 01 July 2021.
- Corporate Social Responsibility ("CSR") will not apply to Freeport companies.
- Eligibility criteria and conditions to issue a freeport certificate will also be amended.

### Companies engaged in export of goods

- Corporate tax rate of 3% has been extended to global trading activities.

### Telephony Service Providers

- The Solidarity levy on telephony service providers [5% of book profit + 1.5% of turnover] has been extended up to June 2020 and is payable by profitable companies.
- The requirement for book profit of a company to exceed 5% of its turnover to be liable to the levy will no longer be applicable.

### All companies in Mauritius excepts banks

- As from 1 January 2019, all companies in Mauritius except banks will benefit from the partial exemption regime of 80% on the specified income.

# FISCAL MEASURES

## CORPORATE

### Corporate Social Responsibility

- Companies will not be allowed to offset any unused tax credit such as the foreign tax credit against CSR payable.
- Companies which have been granted tax holidays will be required to contribute to CSR.

### Investment Tax Credit

- An investment tax credit of 5% over 3 years will be granted in respect of expenditure made up to 30th June 2020 in new plant and machinery (excluding motor cars) by a company importing goods in semi knocked-down form provided that at least 20% local value addition is incorporated therein.

### Work@HomeScheme

- Double deductions of wages and salary costs paid to employees under the scheme for two years.

# FISCAL MEASURES

## VALUE ADDED TAX

### VAT Refund Scheme

- The list of equipment on which VAT is refunded to a planter has been extended to include the following items:
  - Branch chopper
  - Earth auger
  - Fogging machine
  - Handy blower
  - Irrigation hose
  - Mini tiller, including blade
- In addition, a planter will also benefit from VAT refund on land preparation works and rental of land leased for agricultural purposes.
- Local artists registered with the Mauritius Society of Authors will now also benefit from refund of VAT paid on musical instruments including guitar, drum set, dhol, flute, and violin.

### Supply of Manual Labour in the Agricultural or Construction Sector

- The supply of manual labour by an individual, such as a *sirdar* or a labour contractor to a VAT-registered person, operating in the agricultural or construction sector, will be VAT exempt.

### Burglar Alarm Systems

- Services related to upgrading, repairs and maintenance, patrol and monitoring or rental of burglar alarm systems will also be zero-rated.

# FISCAL MEASURES

## VALUE ADDED TAX

### Examination of Vehicles (Fitness)

- Fees payable for the examination of vehicles will be treated as zero-rated supplies for another two years up to 30th June 2020.

### Photovoltaic System

- All components forming an integral part of a photovoltaic system will not be subject to VAT.

### Recovery of VAT in Hospitality Sector

- A VAT-registered person, whose main activity is the supply of accommodation, catering, entertainment or rental/lease of motor vehicles services, will be able to recover VAT paid on these activities.

### Claw Back of VAT on Capital Goods

- The MRA will be empowered to claw back VAT refunded on capital goods exceeding Rs 100,000 (other than building) where a person has voluntarily registered for VAT purposes solely to benefit from VAT refund on capital goods following which they de-register.

# FISCAL MEASURES

## CUSTOMS DUTY

### Import in Semi Knocked-Down Condition

- Goods imported in Semi-Down condition will be exempted from customs duty, provided there is at least 20% value addition domestically.

### Acoustic Doors and Iron Bars

- 10% customs duty on imported blended oil.

### Mixture of Edible Oil

- Presently, imported non-blended edible oil is subject to 10% customs duty whereas blended oil is duty free. To correct this anomaly, customs duty on imported blended oil will be aligned to 10%.

# FISCAL MEASURES

## EXCISE DUTY

### Disabled Persons

- 100% duty exemption on motorcar up to 1,600cc for disabled persons.

### Hydroponic activities

- 100% duty exemption on purchase of single/double space cabin vehicle for planters in hydroponic activities.

### Plastic containers

- Excise duty of Rs2 per unit on non-biodegradable disposable plastic containers as from 1 February 2019.

### Utility Task Vehicles (also known as buggies)

- Excise duty on buggies adjusted to 10%.

# TAX ADMINISTRATION

## General

### *5% payment on Objection*

- A person dissatisfied with a tax assessment made by the MRA and the Registrar-General's Department will be required to pay an additional 5% if he is still not satisfied with a determination at objection and intends to appeal before the Assessment Review Committee.

## Return of Information

- Casinos, Gaming Houses and bookmakers/totalisators will be required to submit a return of information to the MRA on wins exceeding Rs 100,000 giving the name, address and National Identity Number of the winners.

## Value added tax

- A VAT-registered person will henceforth not be required to pay VAT on import of capital goods in case the VAT payable exceeds Rs 150,000. However, the VAT-registered person will still have to declare the import in his VAT return.

## Expeditions Dispute resolution of Tax Scheme (EDRTS)

- EDRTS targeting settlement of disputes of less than Rs 10 million extended to assessment raised from 1 July 2015 to 30 June 2016.

## Income Tax

### *Statement of Assets and Liabilities by High Net Worth Individuals*

- Due date for submission of statement of assets and liabilities extended by one year, together with the income return for the income year starting 1 July 2017.
- An individual who has submitted his income tax return during the last five years will not be required to submit a statement of asset and liabilities, along with his/her income tax return.

# TAX ADMINISTRATION

## Tax Deduction at Source

- Tax Deduction at Source (TDS) will be extended to 'commission payment' at the rate of 3%. In addition the TDS rate applied on rent paid to a non-resident will be increased from 5% to 10%.
- TDS not applicable to director fees.

## Customs

- MRA empowered to detain undeclared currency exceeding Rs 500,000 of an incoming or outgoing passenger for a reasonable time to carry out an investigation, in case of suspicion of money laundering.

## Registrar General's Department

### *Review penalty*

- Penalty of 10% imposed where the difference between the market value of the property and the value declared in the deed is between 10% and 50% of the declared value.
- Penalty of 25% applied where the difference exceeds 50% of the declared value.
- Interest applied on the amount of tax or duty owed to the Registrar-General at the rate of 0.5 % per month up to a maximum of 50 % of the tax or duty remaining unpaid.





## FIRM PROFILE

Nexia Baker & Arenson ("Nexia") is an independent audit, accounting and business advisory firm with a solid track record in delivering outstanding professional services since 2001 in Mauritius. Nexia is a member of Nexia International, a top 10 global network of independent accounting and consulting firms with more than 580 offices in over 100 countries.

When you choose a Nexia firm, you get a more responsive, more personal, partner-led service, across the world. Nexia is a highly active network that drives quality and facilitates collaboration to enable its member firms to provide effective local and global solutions.

No matter how big you are, public or private, and in what industries or sectors you do business, we will provide services and advice that constantly add value to your business.

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